GOVERNMENT OF INDIA
EXTERNAL AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4075
ANSWERED ON:23.12.2015
Line of Credit
Chaudhary Shri P.P.;Shekhawat Shri Gajendra Singh

Will the Minister of EXTERNAL AFFAIRS be pleased to state:

(a) whether the Government is satisfied with the progress of projects being undertaken in foreign nations under the extension of Lines of credit by India over the past three years and if so, the details thereof;

(b) if not, the reasons and remedial measures taken/being taken therefor;

(c) whether there have been delays, cost escalations or allegations of corruption in the implementation of such projects and if so, the details thereof and remedial measures that are being undertaken in this regard, country-wise;

(d) whether the Government has taken cognizance of the fact that a few Indian companies are getting majority of the projects from foreign nations under such lines of credit;

(e) if so, the facts in the matter; and

(f) the percentage of lines of credit per country that have been disbursed as against the amount committed in Bilateral and Multilateral meetings and the steps undertaken to disburse the remaining amounts?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS
[GEN. (DR) V. K. SINGH (RETD)]

(a) Yes, the Government of India is reasonably satisfied with the progress in implementation of Lines of Credit supported by India in foreign nations over the past 3 years. [Note: The Line of Credit is not a grant but a 'soft loan' provided on concessional interest rates to developing countries, which has to be repaid by the borrowing government. The LOCs also helps to promote exports of Indian goods and services, as 75% of the value of the contract must be sourced from India. The projects under LOCs are spread over different sectors (Agriculture, Infrastructure, Telecom, Railway, Transmission/Power, Renewable Energy etc.)]

(b) & (c) The actual implementation of LOC projects in various countries is dependent on local factors, such as prevailing political & social conditions, statutory clearances by the borrowing Governments, making available land and other infrastructural support. In many cases, the borrowing governments may not wish to proceed with the LOC or change the purpose or are unable to provide detailed information regarding the project through a proper Detailed Project Report / Feasibility Study.

The Government has approved the new Indian Development Assistance Scheme (IDEAS) in December 2015. The scheme includes provisions to provide better terms of credit, which will be attractive to many developing countries, who are now seeking alternative means of finance. Several changes have been made in the operational guidelines such as making a DPR, or Feasibility Study essential for project proposals, strengthening of monitoring system, pre-qualification of competent companies and requirement of regular reports by the borrowing governments. In addition, regular monitoring is also being carried out by borrowing Governments, Project Management Consultants (PMCs), implementing agency and Indian Missions abroad to ensure projects are executed in a timely manner. These changes should improve the implementation of projects undertaken through these LOCs.

(d) & (e) It is true that in past some Indian companies had been awarded a majority of the projects under Lines of Credit, based on requests received from borrowing governments. However, several LOC projects have also been executed by a variety of other companies, especially public sector organisations like RITES, IRCON, WAPCOS etc. PMCs/Contractors are selected by the borrowing Government through an open competitive bidding process, as per the procurement laws of the borrowing country and prescribed LOC Guidelines of Government of India. Only Indian Companies/firms can bid for executing the LOC projects.

(f) The percentage and amount of credit disbursed per country so far, as against the amount committed in Bilateral and Multilateral meetings is enclosed at Annexure. The disbursements for each LOC are linked to the progress and completion of project milestones.